

FISCAL NOTE

Bill #: HB0759

Title: Revise alternative livestock laws

Primary Sponsor: Peterson, J

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
State Special Revenue	\$6,792,640	\$4,611,200
Revenue:		
State Special Revenue	(\$69,266)	(\$69,266)
Federal Special Revenue	(\$12,156,387)	(\$12,156,387)
Net Impact on General Fund Balance:	\$0	\$0

<input type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Fish, Wildlife and Parks

1. There are 78 alternative livestock facilities licensed by Fish, Wildlife and Parks.
2. All 78 licensed facilities will voluntarily participate in the chronic wasting disease mitigation program.
3. All alternative livestock animals will test negative for any disease regulated by the Department of Livestock.
4. All inventoried animals will be disposed of by the end date of the program.
5. The animal inventory figures as of December 31, 2002, include 510 calves, which were equally divided between males and females. To reach July 15, 2003, anticipated inventory values for this fiscal note, an additional 510 calves divided equally between males and females have been added. Total cost to purchase 2,022 male alternative livestock at \$6,000/each is \$12,132,000 and total cost to purchase 2,731 female alternative livestock at \$4,000 is \$10,924,000. Payment will be five annual equal installments beginning February 1, 2004.
6. Fencing costs will be calculated for exterior fences only based on an average facility size of 160 acres with a minimum of two miles of fence/facility. Per this bill, \$3.50/foot will be paid. (5,280 feet x two miles x \$3.50 x 78 facilities = \$2,882,880). Payment will be 50 percent upon signing up for the program and the balance during the 3rd and 4th years of the program.

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7. All 78 licensed facilities have handling and quarantine facilities at an average cost of \$10,000/facility. (78 facilities x \$10,000 = \$780,000) Payment will be 50 percent upon signing up for the program and the balance during the 3rd and 4th years of the program.
8. Any revenue generated from the sales of fencing and facilities will be offset with the costs to remove the fencing and facilities from the licensee's property.
9. The Department of Fish, Wildlife and Parks will make a \$700,000 payment to the veterinary molecular biology department at Montana State University – Bozeman to perform chronic wasting disease testing and research. Payment will be \$350,000 in both FY 2004 and FY 2005.
10. Total department cost for the chronic wasting disease surveillance and prevention program will be \$27,418,880. There will be \$11,753,860 spent in the next biennium and \$15,665,040 in the following biennium.
11. In FFY 2003, there was \$12,156,387 of federal Wallop/Breaux and Pittman/Robertson apportioned to the State of Montana for fish and wildlife related activities. If this bill passes as written, and FWP uses license fees to pay program participants, the USFWS will determine Montana to be in diversion of federal requirements. FWP will remain ineligible to receive federal funds until all license dollars are repaid from a non-license funding source.
12. The department will transfer \$10.9 million from the department's general license account to the chronic wasting disease surveillance and prevention program account during the 2005 biennium.
13. Costs to implement this bill will be absorbed by existing staff.

Department of Livestock

14. In accordance with §15-24-922, MCA, the Board of Livestock annually sets the per capita fee for all livestock, including domestic ungulates. Presently the fee is \$19.95 per head for domestic ungulates and a reported head count of 3,103. Thus, the anticipated revenue is \$60,666 after a 2 percent collection fee has been paid to the Department of Revenue. Also, the Department of Livestock receives an average of \$8,600 a year from alternative livestock license fees collected by the Department of Fish, Wildlife and Parks. The total state special revenue anticipated from both sources is \$69,266.
15. HB 759 allows alternative livestock producers to be compensated for participating in the chronic wasting disease surveillance and prevention program. Producers must decide by July 1, 2003. It is estimated that all of the producers will participate in the program.
16. The Department of Livestock state special revenue loss based upon assumptions # 14 and # 15 above are computed as follows:

Per Capita Fee Loss:	\$60,666
License Revenue Loss	<u>\$ 8,600</u>
Total Annual Revenue Loss to DOL	\$69,266

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FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
Department of Fish, Wildlife and Parks		
<u>Expenditures:</u>		
Operating Expenses	\$6,792,640	\$4,961,200
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$6,792,640	\$4,961,200
<u>Revenues:</u>		
Federal Special Revenue (03)	(\$12,156,387)	(\$12,156,387)
Department of Livestock		
<u>Revenues:</u>		
State Special Revenue (02)	(\$69,266)	(\$69,266)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
State Special Revenue (02)	(\$6,861,906)	(\$5,030,466)
Federal Special Revenue (03)	(\$12,156,387)	(\$12,156,387)

LONG-RANGE IMPACTS:

Department of Fish, Wildlife and Parks

1. There will be \$15,665,040 spent in FY 2006 – FY 2008 to comply with this bill.
2. These payments will deplete the general license fund balance and important agency programs will need to be significantly reduced or eliminated. Unless a new revenue source is identified, a resident and nonresident fee increase will be required by this Legislature to fund the requirements of this bill.
3. The loss of over \$12 million of federal funds annually will continue until all license dollars used to fund this program are repaid from a non-license funding source.

Department of Livestock

4. There would be an annual loss in per capita fee and license revenue to the Department of Livestock of \$69,266 as computed in this fiscal note for FY 2006 and FY 2007.

TECHNICAL NOTES:

1. This bill is unclear as to what happens if a program participant defaults on the contract, e.g., repayment of money already received.
2. The bill requires \$10.9 million to be transferred from the FWP general license account to a separate state special revenue account. However, the total cost of this program is \$27,418,880. It is unclear what funding source will pay for the balance.
3. In accordance with the bill, the producers could take until 2007 to eliminate their herds. The Department of Livestock would need to maintain existing staff until that time to manage the program. The department would not have other revenue sources to pay for the program costs in view of the revenue loss.